
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 March 2012
to 22 September 2012

19 October 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eighth progress report by the Joint Administrators (the "Administrators") of Mable Commercial Funding Limited ("Mable" or the "Company").

Creditors should have received the Administrators' proposals (the "Proposals") dated 12 November 2008, which were approved at a meeting of creditors held on 27 November 2008, and the Administrators' seven previous progress reports. If any creditor requires copies of these reports, please contact Diana Gardner-Brown at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, alternatively, these are also available on the Administrators' website www.pwc.co.uk/business-recovery/administrations/lehman/mable-commercial-funding-limited-in-administration.jhtml.

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the six months to 22 September 2012 (the "Period").

Business activities

Mable is a holding company that principally acted as a funding vehicle for mortgages and asset-backed debt financing on behalf of a number of its direct and indirect subsidiaries.

Mable utilised employees seconded from Lehman Brothers Limited (in Administration) and principally operated from the Lehman Group's former premises at 25 Bank Street, London, E14 5LE.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for Mable's creditors as a whole than would be likely if Mable were wound up (without first being in Administration).

The specific aims of this Administration are to:

- Protect and manage the Company's portfolios of assets; and
- Realise these assets, including cash, mortgages and asset backed securities, on a managed basis.

Creditors' Committee

A Creditors' Committee has not been formed.

Outcome for creditors

The significant uncertainties, which have previously been reported on, remain. As a result it is not possible for the Administrators to provide a reliable estimate of the likely dividend to ordinary unsecured creditors.

The Administrators would encourage any creditor that has not submitted its claim to do so by completing and returning the enclosed statement of claim form.

Extension of the Administration and proposal for making distributions

The current extension will come to an end on 30 November 2016.

The Administrators are currently of the view that it is in the best interests of Mable's creditors as a whole for distributions to unsecured creditors to be made through the Administration.

As referred to in greater detail in Section 2, Mable is still at risk of a Financial Support Direction ("FSD") being imposed against it and, consequently, will have to hold a significant pension liability reserve. The Administrators are investigating certain options which would enable Mable to reduce this reserve to allow for a release of funds to creditors in the short term. Once a suitable option is determined, the Administrators will then commence the process of making an application to the High Court to convert to a distributing Administration.

Future reports

The Administrators will report to creditors in approximately six months. The Administrators will contact creditors before this with any material developments regarding the distribution process.

Signed:



D Y Schwarzmann
Joint Administrator
Mable Commercial Funding Limited

Section 2 Joint Administrators' actions to date

Progress to date

Mortgage loan assets ("Mortgage Assets")

As stated in previous progress reports, the Administrators have implemented a hold strategy of the Mortgage Assets.

By way of background, Mable provided a loan to one of its subsidiaries which was used to fund the origination of the Mortgage Assets. These Mortgage Assets were pledged as security against the loan. The Mortgage Assets are being held and run-off using a Lehman owned servicing platform, Acenden Limited ("Acenden"), formerly known as Capstone Mortgage Services Limited.

In the Period the Administrators collected loan interest and principal sums totalling £2.1m in relation to the Mortgage Assets.

Inter-company debtors - US affiliates

As mentioned in the previous report, Mable's total claim against the various US affiliates has been agreed at \$16.5m. Mable received a first distribution from the affiliates of \$0.9m in April 2012 and a second distribution of \$0.6m on 1 October 2012. The quantum and timing of future dividends is uncertain.

Pensions

As noted in our last report, Mable (together with 36 other affected entities) applied to the Upper Tribunal, seeking an Order that the Trustees' referral to the Upper Tribunal relating to a FSD should be struck out, on the grounds that it is now no longer possible for the Pensions Regulator to impose a FSD against Mable. The Trustees and the Pensions Regulator opposed the strike-out application, and the Hearing took place from 12 to 15 March 2012. Judgment was handed down on 14 June 2012; the Upper Tribunal declined to strike out the Trustees' referral, meaning that Mable is still at risk of a FSD. The Upper Tribunal's decision has been appealed to the Court of Appeal, and that Hearing has now been listed to begin on 29 April 2013.

The Administrators continue to keep the pensions issues under close review.

At present, before any release of funds to creditors can occur, a full reserve of £124m for potential

future pension liabilities would need to be made. As already referred to in Section 1, the Administrators are investigating certain options which would enable them to reduce the reserve in order to release funds to creditors.

Taxation

All Corporation Tax computations have been filed with HM Revenue and Customs up to year end 2010, with losses available to shelter further trading income. The 2011 tax computation, which shows no tax payable, is due to be filed imminently.

In the Period, Corporation Tax recoveries were £2.6m, comprising Corporation Tax repaid from pre insolvency periods and amounts received for losses surrendered to other group companies (net of costs). There may be prospect for further recoveries for sale of losses for 2010 and subsequent years.

Value Added Tax ("VAT") repayments of £653k (after deductions for costs) for returns filed to August 2011, have been allocated to Mable to date. No further amounts have been received in the Period.

Future strategy

The Administrators will:

- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Submit further inter-company claims into insolvent estates where necessary; and
- Closely review the pensions issues and work to reduce the reserve held for future pension liabilities.

Section 3 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8211 of 2008.
<i>Full name:</i>	Mable Commercial Funding Limited
<i>Trading name:</i>	Mable Commercial Funding Limited
<i>Registered number:</i>	2682316
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ.
<i>Date of the Administration appointment:</i>	23 September 2008
<i>Administrators' names and addresses:</i>	DY Schwarzmann, MJA Jervis, AV Lomas, SA Pearson and DA Howell of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.
<i>Appointer's name and address:</i>	The directors of the Company, whose address at appointment was 25 Bank Street, London E14 5LE.
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if Mable was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Administrators, may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2016.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and Mable's net property:</i>	In the absence of qualifying floating charges, The Insolvency Act 1986 (Prescribed Part) Order 2003 does not apply to these proceedings.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

Section 4 Financial information

Administrators' remuneration

The manner in which Administrators' remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109.

In accordance with the Proposals, as a Creditors' Committee was not formed it is for the general body of creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

On 20 April 2012 the Administrators provided creditors with time cost analyses and narratives for the period 1 January 2011 to 31 December 2011 and remuneration of £0.7m including VAT was approved by creditors and drawn in the Period. This brings the total amount of Administrators' remuneration drawn to date to £7.1m including VAT.

A further £0.2m, in respect of the period from 1 July 2010 to 31 December 2010 and £0.2m in respect of the period 1 January 2011 to 31 December 2011, has not yet been drawn as the Administrators are awaiting a response from a creditor following the provision of further information.

Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period 1 January 2012 to 30 June 2012:

Grade	Hours	Costs (£'000)
Partner	19	16
Director	38	29
Senior Manager	83	45
Manager	170	70
Senior Associate	376	103
Associate	60	13
Total	746	276

The following table provides a further analysis of the total hours and costs incurred by activity.

Grade	Hours	Costs (£'000)
Accounting and Treasury	214	65
Statutory and Compliance	79	31
Strategy and Planning	136	62
Realisation of Assets	11	5
Inter-company	25	10
Tax and VAT	238	86
Central Services	22	7
Branches and Subsidiaries	21	9
Total	746	276

In addition, Mable has incurred time costs in relation to the recovery of Corporation Tax and VAT. Time costs are initially borne on a group level basis for the Lehman group of companies and apportioned to individual estates based on the level of individual recovery. The share of Administrators' time costs allocated to Mable will fluctuate when any entity within the group makes a recovery or a payment. A full breakdown of these time costs will be submitted once all entities within the group have collected all expected recoveries. As at the end of the Period Mable has incurred cost of £0.4m in respect of Corporation Tax recoveries and £9k in respect of VAT recoveries. These additional costs have been included in the receipts and payments account in Section 5 of this report.

Receipts and payments account

An account of the receipts and payments in the Administration for the Period and a cumulative total since commencement of the Administration is set out in Section 5 to this report.

Significant receipts in the period include:

- £2.1m in respect of principal and interest; and

-
- Corporation Tax refund of £2.6m, grossed up to £3.3m in relation to time costs and other tax function costs.

The significant payment in the period covered by this report is £0.7m in respect of Administrators' remuneration. This has been grossed up to £1.1m to include time costs relating to tax recoveries as described above.

Total cash held as at 22 September 2012 was £69.0m (GBP equivalent).

Section 5 Receipts and payments account

RECEIPTS	As at 22 September 2012			As at	Movements	As at	As at 22 March 2012 (GBP equivalent) RESTATED at 22 September 2012 exchange rate £	As at 22 March 2012 (GBP equivalent) £
	GBP (£)	EUR (€)	USD (\$)	22 September 2012 TOTAL GBP equivalent £	23 March 2012 to 22 September 2012 (GBP equivalent) £	22 March 2012 (GBP equivalent) exchange rate £		
	000's	000's	000's	000's	000's	000's	000's	000's
Mezzanine loan repayments and other asset recoveries	6,059	7,677	-	12,194	-	12,194	12,194	12,454
Book debts	-	-	890	547	547	-	-	-
Corporation Tax repayments	26,690	-	-	26,690	3,332	23,358	23,358	23,358
VAT repayments	662	-	-	662	9	653	653	653
Refund of professional fees	6	115	-	98	-	98	98	101
Inter estate transfer*	6,473	-	-	6,473	-	6,473	6,473	6,473
Principal and interest from subsidiary	40,384	6	-	40,389	2,066	38,323	38,323	38,323
Receipts Grand Totals	80,274	7,798	890	87,053	5,954	81,099		81,362
PAYMENTS								
Building and occupancy costs	615	-	-	615	25	590	590	590
Payroll and employee costs	1,416	-	-	1,416	21	1,395	1,395	1,395
Legal fees	1,721	-	-	1,721	5	1,716	1,716	1,716
Insurance premiums	225	-	-	225	-	225	225	225
Administrators' remuneration	7,536	-	-	7,536	1,134	6,402	6,402	6,402
Administrators' disbursements	48	-	-	48	15	33	33	33
Inter estate transfer*	-	7,773	-	6,212	-	6,212	6,474	6,474
Other professional fees	309	-	-	309	261	48	48	48
Payments Grand Totals	11,870	7,773	-	18,082	1,461	16,621		16,883
NET POSITION	68,404	25	890	68,971	4,493	64,478		64,479
CASH BALANCES								
HSBC	706	25	890	726	-	-	-	-
Money markets	67,698	-	-	67,698	-	-	-	-
Total Cash	68,404	25	890	68,971				

Exchange rate as at 22 March 2012:

EURO €1 : GBP	0.8328
USD \$1 : GBP	0.6329

Exchange rate as at 22 September 2012:

EURO €1 : GBP	0.7991
USD \$1 : GBP	0.6152

Amounts include VAT where applicable

* The difference in total GBP equivalents arises from converted sums being converted at exchange rates as at the end of each reporting period. No actual gains on currency were made in the Period.



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